

## Unaudited Financial Results (Provisional) for the Quarter & Half-year ended 30th September, 2008

(Rs. in Lac)

Sl. No.	Particulars	For quarter ended		For half year ended		For Year ended 31.03.2008 (Audited)
		30.09.2008 (unaudited)	30.09.2007 (unaudited)	30.09.2008 (unaudited)	30.09.2007 (unaudited)	
1	(a) Net Turnover / Income from Operations	14,540	17,514	36,988	40,857	83,044
	(b) Other Operating Income	148	-	398	-	1,470
	<b>Total Income</b>	<b>14,688</b>	<b>17,514</b>	<b>37,386</b>	<b>40,857</b>	<b>84,514</b>
2	Expenditure					
	a) (Increase) / Decrease in stock in trade and work in progress	(1,360)	(1,820)	(41)	(2,359)	218
	b) Consumption of raw materials	5,775	8,107	12,000	19,411	34,637
	c) Purchase of traded goods	379	595	808	1,071	1,730
	d) Manufacturing & Administrative Expenses	2,100	1,626	3,916	3,147	6,947
	e) Employees cost	2,336	1,827	4,658	3,670	9,249
	f) Depreciation	1,501	1,001	2,874	1,919	4,300
	g) Other expenditure	3,019	1,807	4,957	4,075	9,066
	h) Total	13,750	13,143	29,172	30,934	66,147
3	<b>Profit from Operations before Other Income, Interest, Foreign</b>	<b>938</b>	<b>4,371</b>	<b>8,214</b>	<b>9,923</b>	<b>18,367</b>
4	Other Income	634	76	916	292	525
5	<b>Profit before Interest &amp; Exceptional Items (3+4)</b>	<b>1,572</b>	<b>4,447</b>	<b>9,130</b>	<b>10,215</b>	<b>18,892</b>
6	Interest	604	214	1,088	311	1,163
7	Unrealised Exchange Fluctuation Gain / (Loss)	(4,202)	391	(6,606)	1,621	1,317
8	<b>Profit / (Loss) before Exceptional Items (5-6+7)</b>	<b>(3,234)</b>	<b>4,624</b>	<b>1,436</b>	<b>11,525</b>	<b>19,046</b>
9	Exceptional Items	-	-	-	-	-
10	<b>Profit / (Loss) from Ordinary Activities before Tax (8-9)</b>	<b>(3,234)</b>	<b>4,624</b>	<b>1,436</b>	<b>11,525</b>	<b>19,046</b>
11	Tax Expense	1,172	1,415	2,437	3,591	5,730
12	<b>Net Profit / (Loss) from Ordinary Activities after Tax (10-11)</b>	<b>(4,406)</b>	<b>3,209</b>	<b>(1,001)</b>	<b>7,934</b>	<b>13,316</b>
13	Extraordinary Items (net of tax expenses)	-	-	-	-	-
14	<b>Net Profit/ (Loss) for the period (12-13)</b>	<b>(4,406)</b>	<b>3,209</b>	<b>(1,001)</b>	<b>7,934</b>	<b>13,316</b>
15	Paid-up Equity Share Capital (Face Value Re.1/- per Share)	668	658	668	658	668
16	Reserves excluding Revaluation Reserves					69,053
17	<b>Earning Per Share (EPS) (Rs.)</b>					
	- Basic (not annualised)	(6.61)	4.88	(1.50)	12.07	20.14
	- Diluted (not annualised)	(6.61)	4.51	(1.50)	11.14	18.85
18	Public Shareholding					
	Number of Shares	23,248,288	22,235,652	23,248,288	22,235,652	23,247,606
	Percentage of shareholding	34.78%	33.76%	34.78%	33.76%	34.78%

### Unaudited Segment wise Revenue, Results and Capital employed

(Rs. in Lac)

Sl. No.	Particulars	For quarter ended		For half year ended		For Year ended 31.03.2008 (Audited)
		30.09.2008 (unaudited)	30.09.2007 (unaudited)	30.09.2008 (unaudited)	30.09.2007 (unaudited)	
1	<b>Segment Revenue</b>					
	a) Vaccines	9,091	12,513	25,059	30,881	63,647
	b) Formulations	5,621	4,967	12,291	9,942	20,085
	c) Research & Development	14	34	17	34	39
	d) Unallocated	(38)	-	19	-	743
	<b>Gross Sales/ Income from Operations</b>	<b>14,688</b>	<b>17,514</b>	<b>37,386</b>	<b>40,857</b>	<b>84,514</b>
	Less: Inter Segment Revenue	-	-	-	-	-
	<b>Net Sales/ Income from Operations</b>	<b>14,688</b>	<b>17,514</b>	<b>37,386</b>	<b>40,857</b>	<b>84,514</b>
2	<b>Segment Results</b>					
	a) Vaccines	4,142	5,780	12,061	13,714	28,649
	b) Formulations	1,259	630	3,512	1,441	2,207
	c) Research & Development	(1,626)	(1,251)	(3,090)	(2,436)	(5,379)
	d) Unallocated	-	-	-	-	-
	<b>Total</b>	<b>3,775</b>	<b>5,159</b>	<b>12,483</b>	<b>12,719</b>	<b>25,477</b>
	Less : Interest	604	214	1,088	311	1,163
	Unallocated Expenditure net of unallocated Income	6,405	321	9,959	883	5,268
	<b>Total Profit Before Tax</b>	<b>(3,234)</b>	<b>4,624</b>	<b>1,436</b>	<b>11,525</b>	<b>19,046</b>
3	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>					
	a) Vaccines	40,627	41,788	40,627	41,788	40,860
	b) Formulations	16,623	21,767	16,623	21,767	16,577
	c) Research & Development	19,189	13,443	19,189	13,443	18,568
	d) Unallocated	(7,719)	(15,068)	(7,719)	(15,068)	(6,284)
	<b>Total Capital employed</b>	<b>68,720</b>	<b>61,930</b>	<b>68,720</b>	<b>61,930</b>	<b>69,721</b>

**Notes:**

1. The above financial results were reviewed by the Audit Committee of the Board and approved by the Board of Directors at their meetings held on 16th October, 2008 and 31st October, 2008, respectively.
2. Tax expense includes provision for income tax, wealth tax, fringe benefit tax and deferred tax.
3. During the quarter, the Company has set-up two wholly-owned subsidiaries (WOS), viz. Panacea Biotec, Inc. in USA & Rees Investments Ltd. in Islands of Guernsey and an indirect WOS, Kelisia Holdings Ltd. in Cyprus.
4. During the quarter, the Company has entered into a strategic collaboration with PharmAthene, Inc., Annapolis, MD, US, a biodefense company developing medical countermeasures against biological and chemical threats, that includes a strategic equity investment by the Company through its indirect WOS, Kelisia Holdings Ltd., of US\$13.1 million in exchange for the purchase of common stock and warrants in PharmAthene. The investment has been made during October, 2008.
5. During the quarter, the Company has launched a new injectable vaccine, **novohib** (Haemophilus Type B Conjugate) Vaccine in pre-filled syringe device apart from launch of several new products including **SITCOM** & **TwoWks** tablets (for haemorrhoids), **KoldZero** tablets & syrup (for common cold), **TwinEase ER** tablets (for Osteoarthritis), **ROJ OD** & **ROJ OD Plus** tablets (for Acid Peptic Disorder), **COMBIPUNCH** tablets (for Allergic Rhinitis) & **NOWASTE PARA** tablets (for fever in case of Paediatric patients) under its recently launched SBU, viz. **Value India**.
6. During the quarter, the Company has bagged an award for supply of its fully liquid pentavalent vaccine, **Easyfive** (DtwP-HepB-Hib) from UNICEF for years 2008 & 2009 for an amount of US\$ 34.2 million (around Rs.160 Crore).
7. The results for the quarter and half year have been adversely affected due to provisioning of notional exchange fluctuation loss of Rs.4,202 Lac and Rs.6,606 Lac, respectively on account of reinstatement of long-term foreign currency debts including FCCBs, as against exchange fluctuation gain of Rs.391 Lac and Rs.1,621 Lac, respectively for the corresponding periods of previous year.
8. The unrealized foreign exchange loss of Rs.14,272 Lac on the outstanding forward contracts amounting to USD 184 million as at 30th September 2008 has not been provided in the books as the management is of the opinion that since market exchange rate on the various settlement dates is not certain, the unrealized foreign exchange loss is contingent in nature. The unrealised foreign exchange gain/loss, if any, will be considered appropriately at the year end.
9. As regards the Auditors' observations in their report on the Audited Accounts for the Financial Year 2007-08:
  - (i) With regard to non-provision of proportionate premium on redemption of US\$ 36.8 million Zero Coupon Convertible Bonds due 2011, the management is of the opinion that the bonds are redeemable only if there is no conversion of bonds earlier, the likelihood of which cannot be ascertained presently. Hence, the payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. Therefore, the same was disclosed as a contingent liability in Annual Accounts. Likewise, the proportionate premium on said Bonds amounting to Rs.377 Lac during quarter ended September, 2008 has also not been provided. The total premium for period upto September 30, 2008 amounts to Rs.3,597 Lac.
  - (ii) With regard to capitalization of expenditure on clinical trials amounting to Rs.1,856 Lac for FY 2007-08 for the purpose of registration of Company's product in US and / or Europe, the management believes that these products would be commercially viable and there is no reason to believe that there is any uncertainty that may lead to not securing registration for the products from the regulatory authorities. An amount of Rs.448 Lac and Rs.793 Lac towards above said expenditure on clinical trials during quarter and half-year ended September 2008, respectively, has also been capitalised on similar grounds. The total amount of such capitalisation upto September 30, 2008 is Rs.3,840 Lac. The above matters have been shown as a matter of emphasis in the Auditors' Limited Review Report on the above results as well.
10. The Statutory auditors have also carried out limited review of these results and have given their observations in their report in respect of para 8 & 9 above.
11. Status of Investors' complaints [in nos.] during the quarter, pursuant to clause 41 of listing agreement: Opening [0]; Received [2]; Disposed [2]; Closing [0].
12. The necessary certificate in respect of above Results in terms of requirement of clause 41 of the Listing Agreement, has been placed before the Board of Directors.
13. The previous period's figures have been regrouped/ rearranged/ reclassified wherever necessary.

New Delhi  
October 31, 2008

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**For Panacea Biotec Ltd.**

**Rajesh Jain**  
Joint Managing Director